

10/12

PREPARED BY:
DATE PREPARED:
PHONE:

Doug Gibbs
February 01, 2012
402-471-0051

LB 1118

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		See Below		See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		See Below		See Below

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 1118 amends the Nebraska Advantage Act to provide qualification requirements and tax incentives for a new type of tier 2 project under the Act.

The new project type is a "tier 2 large data center project." "Data center" is now defined to mean computers, supporting software equipment, and other organized assembly of hardware or software that are designed to centralize the storage, management, or dissemination of data and information, environmentally controlled structures or facilities or interrelated structures or facilities that provide the infrastructure for housing the equipment, such as raised flooring, electricity supply, communication and data lines, Internet access, cooling, security, and fire suppression, and any building housing the foregoing."

Investment and employment requirements for a tier 2 large data center project are set at \$300 million of new investment and at least 30 new employees, considering only investment and employees at the data center.

A project would receive regular tier 2 benefits, which include a refund of all sales and use taxes paid from the date of acquisition through the meeting of the required levels of investment and employment; refund of all sales and use taxes paid during each year of the entitlement period; a tax credit based on the average wage of new employees; and an investment credit of 10% of the investment made in the project. In addition, a tier 2 large data center project would receive a personal property tax exemption for all personal property at the project beginning January 1 following acquisition and for the following nine years. The project would also be eligible, after achieving the required levels of investment and employment, to use its credits to receive a cash payment from the state equal to all real property taxes paid between the year of acquisition and through the carryover period. Credits may be carried over until fully utilized but not longer than 14 years after the application.

The Department of Revenue estimate of fiscal impact assumes one project with a total investment of real and personal property of \$1.180 billion. They also assume that the \$300 million investment qualifying threshold prohibits any business currently operating data centers in Nebraska from qualifying under the provisions of the bill.

Assuming that a project begins in FY2011-12 and qualifies for tax credits in FY2013-14, the revenue impact to the General Fund is estimated as follows over the 15-year life of the application. This estimate includes tax credit usage for the refund of real property taxes paid to the county:

FY2011-12:	\$ 2,698,000	FY2016-17:	\$ 1,581,000	FY2021-22:	(\$ 2,675,000)
FY2012-13:	\$ 24,285,000	FY2017-18:	(\$ 3,667,000)	FY2022-23:	(\$ 2,747,000)
FY2013-14:	\$ 22,799,000	FY2018-19:	(\$ 2,609,000)	FY2023-24:	(\$ 2,820,000)
FY2014-15:	(\$ 21,464,000)	FY2019-20:	(\$ 2,326,000)	FY2024-25:	(\$ 2,894,000)
FY2015-16:	\$ 7,417,000	FY2020-21:	(\$ 2,604,000)	FY2025-26:	(\$ 2,969,000)

The Department estimates the cost to implement the provisions of LB 1118 to be minimal.

We find no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	2/1/12	PHONE 471-2526
COMMENTS			
DEPT. OF REVENUE – It is important to note the uneven impact of the bill over the course of the 15-year project life, particularly during the first 5-6 years.			

Fiscal Year	Total General Fund Impact
FY2011-12	2.698
FY2012-13	24.285
FY2013-14	22.799
FY2014-15	(21.464)
FY2015-16	7.417
FY2016-17	1.581
FY2017-18	(3.667)
FY2018-19	(2.609)
FY2019-20	(2.326)
FY2020-21	(2.604)
FY2021-22	(2.675)
FY2022-23	(2.747)
FY2023-24	(2.820)
FY2024-25	(2.894)
FY2025-26	(2.969)